

Message Text

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ORIGIN EB-07

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COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 INRE-00 /065 R

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TO AMEMBASSY NEW DELHI IMMEDIATE

INFO USMISSION OECD PARIS

AMEMBASSY PARIS

C O N F I D E N T I A L STATE 223125

E.O. 11652: GDS

TAGS: CIEC, IN

SUBJECT: SUGGESTION BY GOI HEAD OF DELEGATION - CIEC

REF: (A) NEW DELHI 13102, (B) STATE 202503

1. WE HERE IN WASHINGTON HAVE UNDERSTOOD FOR SOME TIME NOW THAT COUNTRIES SUCH AS INDIA (AND PAKISTAN) ARE INTERESTED PRIMARILY IN THE TRANSFER OF RESOURCES RATHER THAN DEBT RELIEF PER SE. THE INTERESTS OF THE INDIANS HERE ARE CONSISTENT WITH OUR OWN IN CONCENTRATING ON THE TERMS AND VOLUME OF NEW ASSISTANCE, RATHER THAN DEBT RELIEF. THE INTERESTS OF THE OTHER POOR LDCS -- WITH LITTLE IN THE WAY OF DEBT ACCUMULATION -- ARE ALSO CLEARLY BETTER SERVED BY FOCUSING ON THE OVERALL TRANSFER OF RESOURCES PROBLEM.

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2. AHUJA'S SUGGESTION THAT SOME MULTILATERAL ARRANGEMENT CONVERT ALL OFFICIAL DEBTS DONOR COUNTRIES NOW HAVE WITH POORER LDCS TO SOFTER TERMS ("ALONG LINES OF IDA") IN EFFECT CONSTITUTES THE USE OF DEBT RELIEF AS A FORM OF AID AND THUS DOES NOT REPRESENT A COMPROMISE SOLUTION WHICH THE USG COULD ACCEPT. AS DEPUTY ASSISTANT SECRETARY BOEKER TOLD INDIAN EMBASSY MINISTER DIXIT IN THEIR AUGUST 14 CONVERSATION (REF B) US LEGISLATION ON DEBT ISSUES IS GETTING TIGHTER, REDUCING SIGNIFICANTLY THE ADMINISTRATION'S FLEXIBILITY IN RESCHEDULING OF DEBT. DEBT RELIEF ARRANGEMENTS, MULTILATERAL OR BILATERAL, NECESSITATE CONGRESSIONAL CONSULTATION AND REVIEW. THUS, THE AHUJA SUGGESTION WOULD NOT REMOVE INDIA'S PROBLEMS WITH CONGRESS -- AS AHUJA SEEMS TO THINK -- AND WOULD ADD TO OUR CONCERN ABOUT PROVOKING CONGRESS INTO FLATLY PROHIBITING DEBT RELIEF. WE BELIEVE THAT THE INTERESTS OF INDIA AND OTHER POOR LDCS WOULD BE BETTER SERVED BY FOCUSING ON THE OVERALL TRANSFER OF RESOURCES PROBLEM.

3. WITHIN THE CIEC DIALOGUE, HOWEVER, THE G-19 HAVE INSISTED ON FRAMING WHAT IS ESSENTIALLY AN "AID" PROBLEM IN TERMS OF DEBT. SOME OPEC COUNTRIES, IN PARTICULAR, HAVE ADVOCATED STRONGLY CIEC ACTION ON DEBT. THEY APPARENTLY SEE THIS AS THE BEST WAY OF DIVERTING ATTENTION FROM ENERGY ISSUES, AS WELL AS LEADING TO PROPOSALS WHERE THE COST IS BORNE ALMOST ENTIRELY BY THE G-8.

4. THE U.S. HOPES THAT THE CIEC DEVELOPMENT COMMISSION WILL NOW SHIFT ITS FOCUS ON THE OVERALL FINANCIAL STRUCTURE (WHERE DEBT IS BUT ONE ELEMENT) OF INDIVIDUAL LDCS. IN THIS CONTEXT, WE HOPE TO FOCUS DEVELOPMENT COMMISSION ATTENTION ON IMPROVING THE QUALITY OF NEW AID RESOURCES TO THE LDCS. (FYI: WE WILL ALSO SEEK TO MOBILIZE THE DEVELOPMENT COMMISSION TO ENCOURAGE AN EFFORT TO MAXIMIZE ASSISTANCE TO THOSE LDCS WHOSE BALANCE OF PAYMENTS SITUATION MAY IMPINGE UNDULY ON GROWTH PROSPECTS. END FYI).

5. AS APPROPRIATE, EMBASSY MAY WISH TO DRAW UPON THE ABOVE POINTS TO INFORM MR. AHUJA OF OUR REACTION. KISSINGER

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